

COMMONWEALTH OF AUSTRALIA

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Family Name	
Given Names	
Student Number	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>
Teaching Period	Semester 1, 2016

FINAL EXAMINATION	DURATION
ACT503 – Corporate Accounting	
	Reading Time: 10 minutes
	Writing Time: 180 minutes

INSTRUCTIONS TO CANDIDATES

1.1 The examination has 2 sections

Section A: Total Marks = 50. Suggested Time is 1 hour and 30 mins Multiple Choice Questions

Section B: Total Marks = 50. Suggested Time is 1 hour and 30 mins, Calculation and Report Questions:

Section A must be answered on the Answer sheet provided and must be handed in with your answer booklet. Please ensure that your name and student number are clearly indicated on your Answer Sheet and at the top of this examination paper.

Section B is to be answered in separate booklet.

1.2 Note that questions ARE NOT of equal value.

1.3 Read ALL questions carefully.

EXAM CONDITIONS

You may begin writing from the commencement of the examination session. The reading time indicated above is provided as a guide only.

This is a RESTRICTED OPEN BOOK examination

Any non-programmable calculator is permitted

No handwritten notes are permitted

Hard copy, unannotated English translation dictionary only

ADDITIONAL AUTHORISED MATERIALS	EXAMINATION MATERIALS TO BE SUPPLIED
Relevant Legislation (Annotated Permitted)	1 x 16 Page Book 1 x 4-Multiple Choice Answer Sheet 1 x Scrap Paper

**THIS EXAMINATION IS PRINTED
DOUBLE-SIDED.**

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Section A
Multiple Choice Questions
Total No of Marks for this section: 50

This section should be answered on the Answer Sheet provided. Please ensure that your name and student number have been written on the Answer sheet and place in the answer booklet which you can use for your workings.

Marks for each question are indicated. Suggested Time allocation for Section A: 90 mins

Extracts from discount tables which may be useful in this section can be found after Question 28

Section B

Total Number of Marks for this section: 50

This section should be answered in the Answer Booklet provided. Please ensure that your name and student number have been written on the Answer Booklet and show all your workings.

Marks for each question are indicated. Suggested Time allocation for Section B: 90 mins

Question 1

On 1 July 2016, Kingdom Ltd acquired two assets within the same class of plant and equipment. Information on these assets is as follows:

	Cost	Expected useful life
Machine A	\$100 000	5 years
Machine B	60 000	3 years

The machines are expected to generate benefits evenly over their useful lives. The class of plant and equipment is measured using fair value.

At 30 June 2017, information about the assets is as follows:

	Fair value	Expected useful life
Machine A	\$84 000	4 years
Machine B	38 000	2 years

On 1 January 2018, Machine B was sold for \$29 000 cash. On the same day, Kingdom Ltd acquired Machine C for \$80 000 cash. Machine C has an expected useful life of 4 years. Kingdom Ltd also made a bonus issue of 10 000 shares at \$1 per share, using \$8000 from the general reserve and \$2000 from the asset revaluation surplus created as a result of measuring Machine A at fair value.

At 30 June 2018, information on the machines is as follows:

	Fair value	Expected useful life
Machine A	\$61 000	3 years
Machine C	68 500	1.5 years

The income tax rate is 30%.

Required

Prepare the journal entries in the records of Kingdom Ltd to record the described events over the period 1 July 2016 to 30 June 2018, assuming the ends of the reporting periods are 30 June 2017 and 30 June 2018. **(Marks 20)**

Question 2

Ron Ltd operates a number of supermarkets with an emphasis on the supply of quality produce. The operations of Sam Ltd are primarily in the fine fruit market. Believing that the acquisition of Sam Ltd would enable Ron Ltd to expand its supply of quality produce to its customers, Ron Ltd commenced actions to acquire the shares of Sam Ltd. On 1 July 2013, Ron Ltd acquired all the issued shares (*cum div.*) of Sam Ltd for \$123 500. At this date the equity of Sam Ltd consisted of:

Share capital	\$100 000
Reserves	5 000
Retained earnings	10 000

On 1 July 2013, Sam Ltd had recorded a dividend payable of \$6000 and goodwill of \$5000 (net of accumulated impairment losses of \$7000). The dividend was paid in August 2013. In the previous year's annual report Sam Ltd had reported the existence of a contingent liability for damages based upon a lawsuit by a customer who had slipped on some fallen fruit in one of the stores operated by Sam Ltd. Ron Ltd calculated that this liability had a fair value of \$10 000. Sam Ltd also had some customer databases that were not recorded as assets but Ron Ltd placed a fair value of \$6000 on these items. Sam Ltd believed that the databases had a future life of 4 years.

All of the identifiable assets and liabilities of Sam Ltd were recorded at amounts equal to their fair values except for the following:

	Carrying amount	Fair value
Plant (cost \$120 000)	\$94 000	\$96 000
Land	80 000	85 000
Inventory	20 000	24 000

The plant had an expected remaining useful life of 10 years. The land was sold by Sam Ltd in February 2015. The inventory was all sold by 30 June 2014.

In February 2016, Sam Ltd transferred \$3000 of the reserves on hand at 1 July 2013 to retained earnings. The remaining \$2000 was transferred in February 2017.

The court case involving the damages sought by the customer was settled in May 2017. Sam Ltd was required to pay \$7500 to the customer.

Required

Prepare the consolidation worksheet entries for the preparation by Sam Ltd of its consolidated financial statements at 30 June 2017. **(Marks 30)**